

BANGKOK MITSUBISHI UFJ LEASE CO., LTD.

No. 110/2019
12 July 2019

FINANCIAL INSTITUTIONS

Issue Rating:
Guaranteed AAA

Outlook: Stable

Last Review Date: 13/07/18

Issue Rating History:

Date	Rating	Outlook/Alert
13/07/18	AAA	Stable

Contacts:

Siriwan Weeramethachai

siriwan@trisrating.com

Sithakarn Tongphiphat, FRM

sithakarn@trisrating.com

Taweekok Jiamsakunthum

taweekok@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the “AAA” rating with “stable” outlook on the guaranteed debentures issued by Bangkok Mitsubishi UFJ Lease Co., Ltd. (BMUL). The debentures are fully guaranteed by BMUL’s parent company in Japan, Mitsubishi UFJ Lease & Finance Co., Ltd. (MUL), a company rated “A-/Stable” by S&P Global Ratings and “A3/Stable” by Moody’s Investors Service (Moody’s). The rating of the guaranteed debentures is based on the credit quality of the guarantor and the fact that the guarantee is unconditional and irrevocable.

KEY RATING CONSIDERATIONS

Unconditional and irrevocable guarantee

Under the terms of the guarantee agreement, which is governed by the laws of Japan, the guarantor unconditionally and irrevocably guarantees to pay promptly to the debentureholders all sums payable by BMUL under the obligations of the rated debentures in the event that BMUL has no ability to pay.

In addition, if there is any merger or consolidation of MUL, the successor of MUL shall assume these guaranteed obligations. In case the guarantor fails to pay the amount due after receiving notice, the debentureholders’ representatives can commence legal action against the guarantor in a court in Japan for the amount in default. The guarantee cannot be amended or terminated without the unanimous consent of the debentureholders.

MUFG and MC will continue to support MUL

We expect Mitsubishi UFJ Financial Group Inc. (MUFG) and Mitsubishi Corporation (MC) will continue to support MUL’s business as we view that MUL is a strategically important subsidiary of MUFG. MUL is an affiliate of both MUFG, which holds a 23.4% stake in MUL, and MC, which holds 20.0%.

MUL has a solid customer base because it receives referrals from MUFG and MC. The experience and customer networks of MUFG and MC have helped MUL expand businesses including equipment leases, installment sales and loans to corporate customers, financial services, eco-related services, used equipment trading, and other loan services such as real estate finance.

Sustainable profits

We expect MUL to be able to sustain its profitability in the medium term. The company has been expanding in Japan and abroad, continually diversifying business and increasing efficiency. Net income was 68.7 billion yen in fiscal year 2019 (FY2019), up 8% year-on-year (y-o-y). At the end of March 2019, total operating assets were 5.0 trillion yen, up 3% y-o-y.

MUL’s continuous expansion of operating lease business in the overseas market has resulted in larger asset base. At the end of March 2019, its subsidiaries abroad owned operating assets of 1,912 billion yen, or 38% of MUL’s operating assets, up from 34% last year.

MUL is striving to improve profits by enhancing efficiency in Japan, its home market, while maintaining a broad customer base. MUL announced the three-year Mid-Term Management Plan with a goal of reaching about 70 billion yen in profit by FY2020. MUL expects to achieve this goal by expanding asset finance business in Japan and abroad, via organic growth. In the overseas

markets, MUL aims to sustain profitability partly through vendor finance working with Japanese manufacturers abroad.

According to the plan, MUL identifies key segments as the profit drivers, which include various industrial segments, for example, energy and healthcare. The expansion plans also emphasize aviation-related segments including aircraft engine leasing and marine container leasing.

Thus far, the businesses in overseas markets have grown more rapidly than the domestic market. Despite the positive benefits from the overseas expansion efforts seen in sustainable growth and profits, the expansion plans carry some risks. The aggressive expansion into higher-risk countries and new market segments may at times negatively affect MUL's financial performance.

Acceptable liquidity

In addition to the high probability of receiving extraordinary support from MUFG when needs arise, we believe MUL has the ability to mitigate liquidity risk from asset-liability mismatch derived from reliance on short-term borrowings. This is due to its access to credit facilities from various financial institutions. Apart from bank loans, MUL can issue bonds and commercial papers (CPs) or use securitization to support funding needs.

Leverage remains moderate

In TRIS Rating's view, MUL's leverage is moderate. The debt to equity (D/E) ratio averaged 7 times from FY2016-FY2018. At the end of March 2019, the D/E ratio was 7.1 times. The need to fund new opportunities may lead to rapid rise in borrowing and push leverage higher in the future. Nonetheless, we expect MUL will try to maintain leverage at a moderate level as a result of solid profits which strengthen the capital base.

BASE-CASE ASSUMPTIONS

- MUL's credit ratings assigned by S&P Global Ratings and Moody's will still be maintained.
- The unconditional and irrevocable guarantee undertaken by MUL on BMUL's debentures will remain intact.

RATING OUTLOOK

The "stable" outlook for BMUL's guaranteed debentures reflects the creditworthiness of its guarantor, MUL, a strategically important affiliate of MUFG. MUL has an "A-" rating with a "stable" outlook from S&P Global Ratings and an "A3" rating with a "stable" outlook from Moody's.

RATING SENSITIVITIES

The rating and/or outlook on BMUL's guaranteed debentures could be revised downward should there be deterioration in MUL's creditworthiness.

COMPANY OVERVIEW

MUL was established in 1971 as Diamond Lease Co., Ltd. After a merger with UFJ Central Leasing Co., Ltd. in April 2007, the company was renamed MUL. As of 31 March 2019, MUFG and its affiliated banks, including MUFG Bank and Mitsubishi UFJ Trust and Banking Corp., owned a combined 23.4% stake in MUL. MC owned a 20.0% stake.

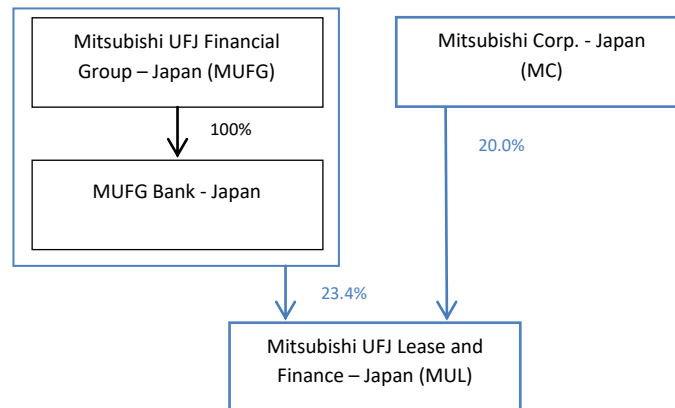
MUL sees Thailand as a growing market. BMUL, a subsidiary, is the means to capture new opportunities in Thailand. BMUL has a long track record as a machinery and equipment leasing company in Thailand. BMUL was established in 1991, as a cooperative effort with Bangkok Bank PLC (BBL) in Thailand. BMUL has two major business segments: machinery and equipment leasing, and automobile maintenance leasing. BMUL's major shareholder is MUL. MUL owns 44.0% of BMUL while BBL and its affiliated companies together hold 34.0%. At the end of March 2019, BMUL's operating assets accounted for 3.0% of MUL's overseas operating assets.

MUL provides extensive business and financial support to BMUL. For example, MUL provides operating procedures and risk management practices, plus new innovative products. The debt guarantee such as the guarantee for the debentures, is one example of the kind of financial support BMUL receives as MUL's strategic subsidiary.

The strong support BMUL receives from its parent company is expected to continue for the foreseeable future. This support is consistent with MUL's emphasis on new opportunities overseas.

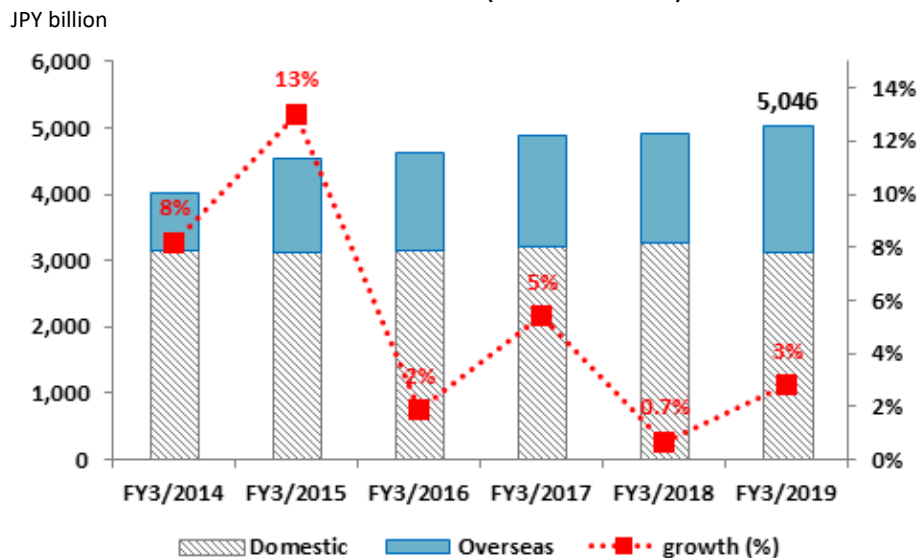
KEY OPERATING PERFORMANCE

Chart 1: Shareholding of MUL as of 31 Mar 2019



Source: MUL

Chart 2: Operating Assets of Consolidated Overseas Subsidiaries (As of 31 Mar 2019)



Source: MUL

Table 1: Shareholders of BMUL

Shareholders	Number of Shares	%
Japanese shareholders	294,000	49.0
- MUL	264,000	44.0
- MUFG Bank Ltd.	30,000	5.0
Thai shareholders	306,000	51.0
- Bangkok Bank PLC and affiliates	204,000	34.0
- Bangkok Bank PLC	60,000	10.0
- The Sophonpanich Co., Ltd.	60,000	10.0
- Bangkok Insurance PLC	60,000	10.0
- Jatubhut Holding Co., Ltd.	24,000	4.0
- Others	102,000	17.0
- Bangkok BTMU Ltd.	60,000	10.0
- Toyota Tsusho (Thailand) Co., Ltd.	36,000	6.0
- Bangkok Chayoratr Co., Ltd.	6,000	1.0
Total	1,000,000	100.0

Source: BMUL

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*
Mitsubishi UFJ Lease & Finance Co., Ltd. (MUL)

Unit: Billion yen

	----- Fiscal Year Ended 31 March -----				
	2019	2018	2017	2016	2015
Operating assets	5,046	4,909	4,877	4,626	4,541
Total assets	5,791	5,553	5,389	5,121	5,036
Total debt	4,440	4,252	4,142	3,909	3,910
Shareholders' equity	779	731	686	642	621
Total revenues	864	870	839	826	742
Selling general and administrative expenses	78	77	71	78	63
Provision for doubtful receivables	4	5	4	11	2
Net income	69	64	53	55	44
Return on average assets ratio (ROAA) (%)	1.2	1.2	1.0	1.1	0.9
Return on average equity (ROAE)** (%)	9.4	9.3	8.4	9.0	8.0
Shareholders' equity ratio** (%)	13.0	12.7	12.2	12.0	11.8
Total debt/total equity*** (time)	7.1	6.6	7.0	7.0	7.1

* Consolidated financial statements

** Net minority interest for equity, Japan GAAP base

*** Total debt/total equity = Total liabilities/total equity

RELATED CRITERIA

- Nonbank Lending Company, 7 May 2018
- Group Rating Methodology, 10 July 2015

Bangkok Mitsubishi UFJ Lease Co., Ltd. (BMUL)
Issue Rating:

BMUL218A: Bt1,000 million guaranteed debentures due 2021

AAA

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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